


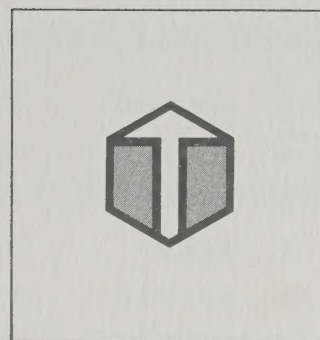
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TWENTIETH ANNUAL REPORT 1964

TURNBULL ELEVATOR LIMITED

48 St. Clair Avenue West, Toronto 7, Canada



MANAGEMENT

BOARD OF DIRECTORS

M. O. SIMPSON	<i>Tucson, Arizona, Chairman</i>
*H. M. TURNER	<i>Toronto, Vice-Chairman</i>
*M. O. SIMPSON, JR.	<i>Toronto, Chairman, Executive Committee</i>
C. S. BAND	<i>Toronto</i>
D. S. BEATTY	<i>Toronto</i>
J. P. CARRIÈRE	<i>Montreal</i>
R. H. HOPPE	<i>Montreal</i>
*R. W. STEVENS	<i>Toronto</i>
A. S. TORREY	<i>Montreal</i>

**Members of Executive Committee*

OFFICERS

M. O. SIMPSON, JR.	<i>President</i>
J. O'H. TURNBULL	<i>Senior Vice-President</i>
C. H. TOD	<i>Vice-President</i>
R. T. WILLIAMS	<i>Vice-President</i>
B. T. KNILL	<i>Secretary-Treasurer</i>

TRANSFER AGENTS AND REGISTRARS

MONTREAL TRUST COMPANY

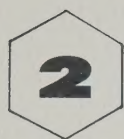
Halifax, Montreal, Toronto, Vancouver and Winnipeg

REGISTRAR AND TRANSFER COMPANY

15 Exchange Place, Jersey City 2, N.J.

AUDITORS

MCDONALD, CURRIE & CO.



THE PRESIDENT'S REPORT

TO THE SHAREHOLDERS OF TURNBULL ELEVATOR LIMITED

On behalf of the Board of Directors, the Annual Report for the fiscal year ending August 31, 1964 is submitted.

During the year further progress was made in the development of the Company. The requirement for senior personnel to manage our expanding operations has, to a large extent, been met. Today we have a group of executives who are able to capitalize on the opportunities afforded us in an expanding market for the Company's products. Resulting from the increased emphasis on Research Engineering, new and improved products have been developed and are currently being tested. These two factors, combined with favourable economic conditions, should assure the ability of the Company to continue to participate successfully in the growing elevator business of North America.

As reported to you in the semi-annual report last April, the consolidation of the five U.S. elevator companies purchased over the last three years is taking longer to accomplish than originally expected. While much still remains to be done, much has been accomplished in the recent months and it is expected that the results of this program will soon be reflected in the consolidated profits.

The operations of the Industrial Division for the past year were quite successful and several of the companies reported record sales and profits.

Consolidated sales increased by 15% and exceeded \$34,000,000 producing a net profit of \$729,717 (equal to \$1.02 per common share) after providing \$438,172 for income taxes. Capital expenditures on plant and new equipment

amounted to \$562,843. Expenditures on Research Engineering were increased by \$75,000 during the year and that Division is now operating on an annual budget of \$325,000. Special consulting fees charged to 1964 earnings were \$200,887. This relates to the final phase of a scheduling system and to a market survey, both of which are of a non-recurring nature. In 1963, profits were increased by over \$100,000, attributable to a capital gain on redemption of some of the Company's debentures, thereby reducing interest on long term debt in 1964. However, in 1964 additional bank loan interest was charged to operating profits since the funds required for the redemption were derived from increased bank loans.

Again this year, the Company paid regular quarterly dividends of 15¢ per share (60¢ per year) on the Common Shares and 27½¢ per share (\$1.10 per year) on the Preferred Shares. This is the ninth consecutive year in which regular dividends on the Common Shares have been paid. There is no intention to change dividend policies in the foreseeable future.

While profits for 1964 are somewhat lower than for 1963, it should be pointed out that this is a relatively young company with an ambitious program and it is necessary at this time to incur what may appear to be disproportionate expenditures in order to assure future success. Based upon the current economic outlook, together with an increased backlog of business on hand, another significant increase is anticipated in consolidated sales for the forthcoming year which should reflect improved profits.

During the past year the following executive changes were made:

Mr. James O'H. Turnbull was appointed Senior Vice-President, in charge of the Company's elevator operations.

Mr. C. H. Tod relinquished his position as Vice-President Finance to assume an active part in the management of the Industrial Division as a Vice-President of the Company.

Mr. R. H. Polischuck, formerly Vice-President of the Industrial Division, was appointed Vice-President and General Manager of Turnbull Elevator of Canada Limited.

Mr. S. P. Lockhart, formerly President of Frink Sno-Plows Inc., was appointed Vice-President and General Manager of Turnbull Elevator Incorporated, New York.

Mr. R. T. Williams, who was in charge of the Company's U.S. Elevator Division, has returned to Canada as Vice-President in charge of Research Engineering.

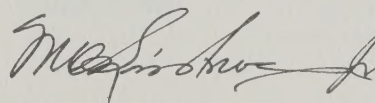
Mr. John R. Irwin was appointed Vice-President and General Manager of Frink Sno-Plows Inc.

Mr. Merrill C. Stafford, formerly Vice-President of the Company and for many years President of Turnbull Elevator of Canada Limited, retired after 41 years of service. He remains a consultant to the Elevator Divisions and the Directors wish to record their appreciation of Mr. Stafford's leadership and loyal service to the Company in the past and his continuing interest in its future.

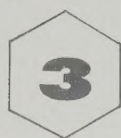
During the past year great strides have been made which assure that Turnbull Elevator will retain its position as an industry leader. With the continued loyal support of its shareholders and customers and the fine efforts of its employees, the future remains bright for this Company.

Toronto,

October 21, 1964.



President

**CONSOLIDATED BALANCE SHEET** AS AT AUGUST 31, 1964

(With comparative figures as at August 31, 1963)

ASSETS	<u>1964</u>	<u>1963</u>
CURRENT ASSETS:		
Accounts receivable	\$ 7,696,468	\$ 6,567,116
Inventories, at the lower of cost or net realizable value	6,316,887	4,920,578
Prepaid expenses	235,785	378,126
Portion of note and mortgages receivable due within one year	125,750	125,750
	<u>14,374,890</u>	<u>11,991,570</u>
FIXED ASSETS:		
Plant and equipment—at cost	8,289,187	7,992,871
Less accumulated depreciation	3,817,849	3,431,795
	<u>4,471,338</u>	<u>4,561,076</u>
Land—at cost	547,881	562,386
	<u>5,019,219</u>	<u>5,123,462</u>
OTHER ASSETS:		
Goodwill—at cost	429,730	386,530
Note and mortgages receivable	14,000	139,750
Patents—at cost, less amounts written off	22,021	16,208
	<u>465,751</u>	<u>542,488</u>
	<u><u>\$19,859,860</u></u>	<u><u>\$17,657,520</u></u>

The attached notes are an integral part of the financial statements.

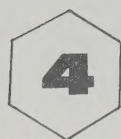
TURNBULL ELEVATOR LIMITED AND WHOLLY OWNED SUBSIDIARY COMPANIES

LIABILITIES	<u>1964</u>	<u>1963</u>
CURRENT LIABILITIES		
Bank loan and overdraft	\$ 4,871,369	\$ 3,303,767
Accounts payable and accrued liabilities	3,472,306	2,720,351
Accrued taxes other than income	265,792	187,705
Income taxes payable	269,658	451,539
Portion of long term liabilities due within one year	318,458	202,224
	<u>9,197,583</u>	<u>6,865,586</u>
LONG TERM LIABILITIES (Note 1)	<u>2,420,686</u>	<u>2,806,481</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 3)		
Authorized—200,000 Preferred Shares of the par value of \$20 each, issuable in series		
—1,200,000 Common Shares without nominal or par value		
Issued and fully paid—		
—100,000 \$1.10 Cumulative Convertible Pre- ferred Shares Series A, redeemable at \$21.50 per share	2,000,000	2,000,000
—608,800 Common Shares	127,500	125,800
RETAINED EARNINGS	6,010,931	5,756,493
EXCHANGE EQUALIZATION RESERVE	103,160	103,160
	<u>8,241,591</u>	<u>7,985,453</u>
	<u>\$19,859,860</u>	<u>\$17,657,520</u>

Signed on behalf of the Board:

M. O. SIMPSON, JR., *Director*

H. M. TURNER, *Director*



CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND RETAINED EARNINGS FOR THE YEAR ENDED AUGUST 31, 1964

(With comparative figures for the year ended August 31, 1963)

	<u>1964</u>	<u>1963</u>
CONSOLIDATED OPERATING PROFIT BEFORE DEDUCTING THE UNDERNOTED CHARGES	\$ 2,208,462	\$ 2,318,942
Depreciation	519,491	509,314
Remuneration of executive officers and legal fees	177,170	175,180
Remuneration of directors	9,725	9,698
	706,386	694,192
CONSOLIDATED OPERATING PROFIT	1,502,076	1,624,750
ADD:		
Profit on redemption of debentures	4,660	118,663
	1,506,736	1,743,413
DEDUCT:		
Interest on long term debt	137,960	199,002
Special professional fees	200,887	98,585
Cost of issuing convertible preferred shares	—	26,657
	338,847	324,244
PROFIT BEFORE INCOME TAXES	1,167,889	1,419,169
ESTIMATED INCOME TAXES (Note 4)	438,172	550,397
PROFIT FOR THE YEAR	729,717	868,772
RETAINED EARNINGS—beginning of year	5,756,493	5,335,262
	6,486,210	6,204,034
Dividends—Preferred Shares	110,000	82,501
—Common Shares	365,279	365,040
	475,279	447,541
RETAINED EARNINGS—end of year	\$ 6,010,931	\$ 5,756,493

The attached notes are an integral part of the financial statements.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED AUGUST 31, 1964

SOURCE

Operations

Profit for the year	\$729,717	
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Depreciation	519,491	
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	<u>1,249,208</u>	
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Proceeds on the sale of fixed assets less profit thereon included above	141,782	
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Portion of note and mortgages receivable due for repay- ment in 1965	125,750	
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Issue of common shares	1,700	\$1,518,440
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APPLICATION

Purchases of fixed assets	562,843	
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Dividends paid to shareholders	475,279	
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Reduction of long term liabilities	385,795	
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Goodwill—estimated additional cost of investment in a subsidiary company	43,200	1,467,117
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Increase in working capital		\$ 51,323
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AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Turnbull Elevator Limited and wholly owned subsidiary companies as at August 31, 1964, and the consolidated statements of profit and loss and retained earnings and source and application of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. The consolidated financial statements incorporate figures in respect to certain subsidiary companies which have been reported on by other auditors.

In our opinion, based upon our examination and the reports of other auditors, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of profit and loss and retained earnings and source and application of funds, when read in conjunction with the notes thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at August 31, 1964 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, October 21, 1964

McDONALD, CURRIE & CO.,
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 1964

1. Long term liabilities consist of the following:

	<u>Long term</u>	<u>Portion due within one year</u>
TURNBULL ELEVATOR LIMITED:		
4½ % Sinking fund debentures, Series A maturing April 15, 1970 (Sinking fund payments sufficient to redeem debentures in the principal amount of \$200,000 annually due on April 15, 1965 to 1969 inclusive, less purchased for redemption \$5,500)	\$1,625,000	\$194,500
Sundry notes and mortgages	77,486	64,558
Demand bank loan—Scheduled for repayment by 1969	718,200	59,400
	<u>\$2,420,686</u>	<u>\$318,458</u>

2. Assets, liabilities and earnings of United States subsidiaries have been converted to Canadian funds at the August 31, 1964 rate of exchange.

3. 177,900 Common Shares are reserved for the following purposes:

(a) 150,000 for the conversion of the \$1.10 Cumulative Convertible Preferred Shares Series A. Each such Preferred Share may be converted to 1½ Common Shares to December 1, 1967, to 1¼ Common Shares thereafter to December 1, 1970 and to 1 Common Share thereafter to December 1, 1972.

(b) 27,900 for options granted in prior years as follows:

<u>No. of shares</u>	<u>Year of grant</u>	<u>Price</u>	<u>To be exercised by</u>
11,200	1960	\$ 8.50	December 31, 1965
16,700	1961	\$11.50	December 31, 1966

Options were exercised on 200 shares at \$8.50 per share during the year.

4. Income taxes have been reduced by approximately \$108,000 by the application of expenses deferred for tax purposes in prior years. Income taxes were reduced by \$130,000 in 1963 by the application of losses of prior years.



OPERATING DIVISIONS

CANADIAN ELEVATOR DIVISION

TURNBULL ELEVATOR OF CANADA LIMITED

Toronto, Montreal, Quebec City, Halifax, Sydney, N.S., Ottawa, Hamilton, London, Sudbury, Windsor, Port Arthur, Sault Ste. Marie, Winnipeg, Regina, Saskatoon, Calgary, Edmonton, Vancouver and Victoria.

UNITED STATES ELEVATOR DIVISION

TURNBULL ELEVATOR INCORPORATED

New York City, Warsaw, N.Y., Philadelphia, Atlanta, Ga., San Francisco, Los Angeles, Columbia, S.C.

INDUSTRIAL DIVISION

AMERICAN WRINGER COMPANY

Farnham, Quebec.

ST. LAWRENCE RUBBER COMPANY

Farnham, Quebec.

HAMILTON GEAR AND MACHINE COMPANY

Toronto and Montreal.

PARAMOUNT GEAR WORKS

Toronto.

EASTERN STEEL PRODUCTS COMPANY

Preston and Montreal.

FRINK SNO-PLOWS INC.

Clayton, N.Y.

FRINK OF CANADA

Preston, Hamilton, Peterborough, Port Arthur, Fonthill, Ont., Montreal, Winnipeg and Regina.

RESEARCH ENGINEERING DIVISION

Toronto.

